**New rules for the self-employed claiming Working Tax Credit**

**Introduction**

From April to get Working Tax Credit self-employed people will need to meet new criteria. This brief provides further details on these changes.

**Who needs to read this?**

Self-employed Working Tax Credit claimants or advisers and agents who support claimants.

**The changes**From 6 April 2015, all new claimants who are using self-employed work to meet the qualifying remunerative work test for Working Tax Credit, must show that they are trading on a commercial basis with a view to achieving profits.

The two main criteria that will need to be considered by claimants are:

* Is their business done on a commercial basis?
* Is their business done with a view to the realisation of profit?

The self-employment should also be structured, regular and ongoing.

For example, if their business activity is a hobby it is not likely to be considered commercial or have an expectation of realising a profit.

This measure is about preventing false claims for tax credits. Working Tax Credit will continue to support those who are carrying on a genuine business activity.

**How the changes will apply**

Self-employed Working Tax Credit claimants with earnings below a threshold (this will be based on working hours and the National Minimum Wage) will be asked by HMRC to provide evidence that they are in a regular and organised trade, profession or vocation on a commercial basis and with a view to achieving a profit.

The information we ask for should be available as part of normal business activity, for example invoices, bank statements, business plans.

During the early stages of self-employment it may prove difficult to turn a profit. If someone in this situation claims Working Tax Credit they may be asked to show that they have a commercial approach and how their business would become profitable. This could be demonstrated in a business plan.

Claimants may lose their Working Tax Credit if they cannot provide the evidence we ask for. Claimants may also have to repay any tax credits they are not entitled to.

Claimants who disagree with our decision can ask for us to look at the decision again.

**Further information**

All claimants affected will receive information from HMRC about the new rules and the action they need to take before any awards are changed.

Further detailed guidance will be available on GOV.UK from 6 April.